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SAP Financials and Controlling

SAP FI: Fundamentals of SAP Financial Accounting

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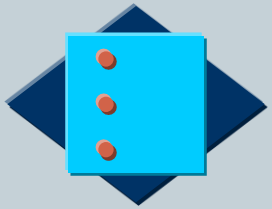
Objectives



After completing this unit, you will be able to:

- Define important general financial accounting terms
- Discuss the basics of financial accounting
- Describe important features of general ledger
- List the characteristics of sub ledgers
- Explain integration of financial accounting with other SAP modules

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General Financial Accounting Terms

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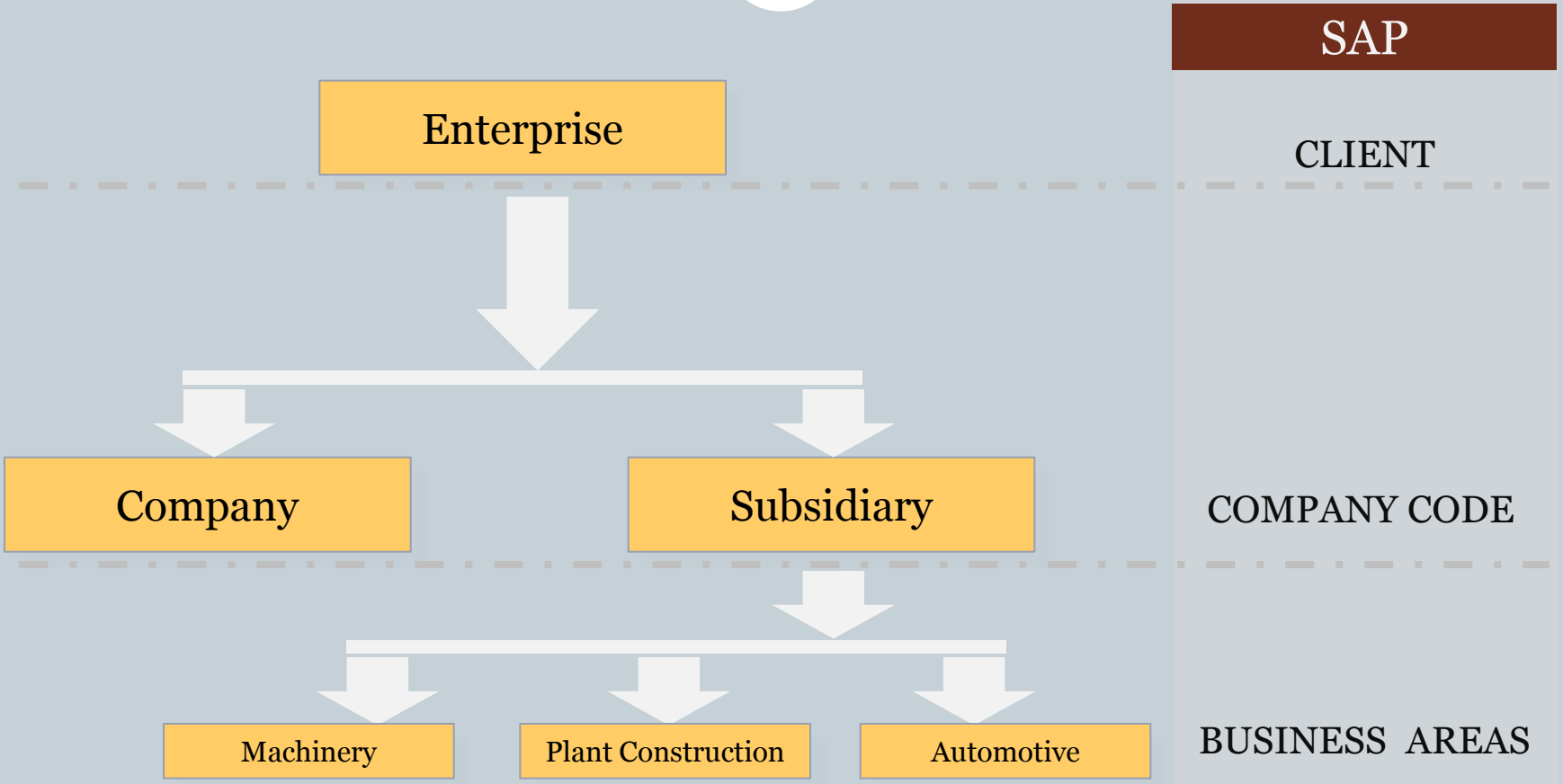
Organizational Elements of R/3



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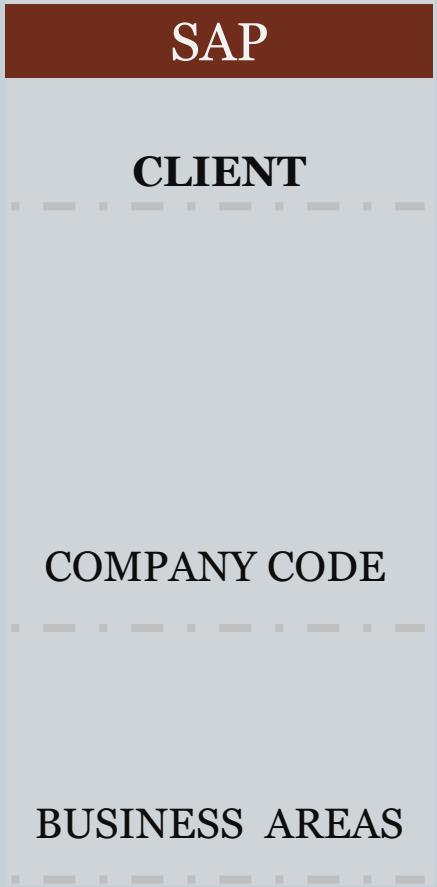
Organizational Elements of R/3 – Client

- Independent unit with separate master records.
- Users must enter a client key.
- Is identified via a three character code.



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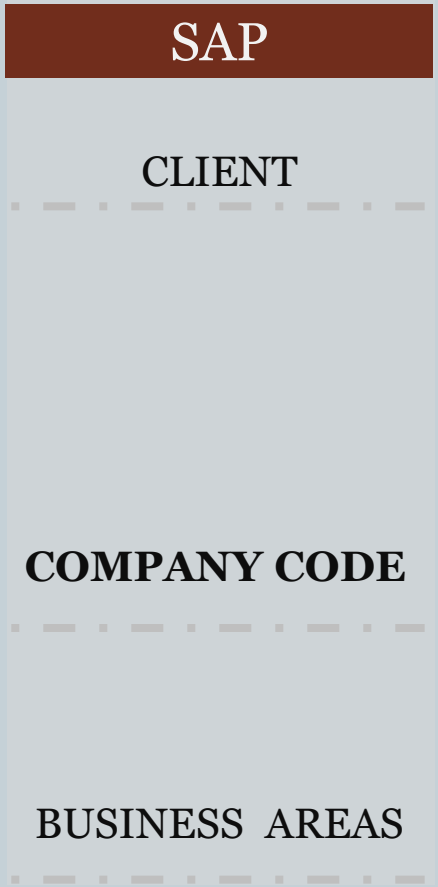
Organizational Elements of R/3 – Company Code

- Represents an independent balancing/legal accounting entity.
- It is the minimum structure necessary in mySAP ERP Financials.
- Has a unique four character key.



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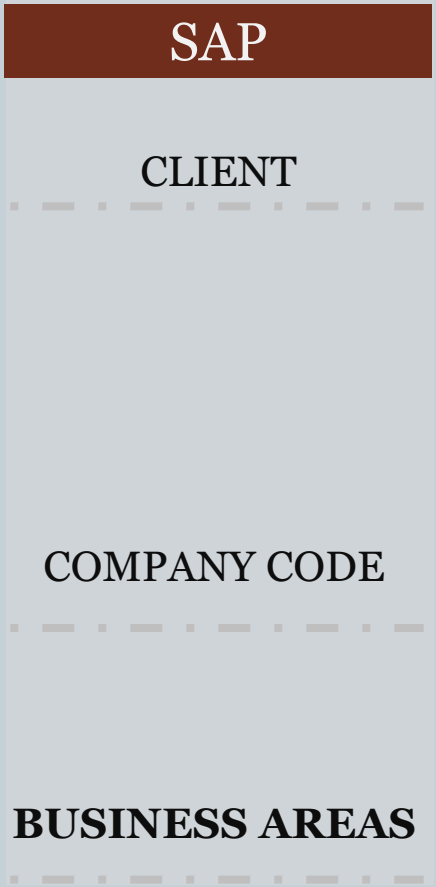
Organizational Elements of R/3 – Business Areas

- Can be used across company codes.
- Balancing entities that can create their own set of financial statements.



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Creating a Company Code

1. Copy an existing company code using the organization copy function. This copies:
   - The definition
   - Global parameters
   - Customizing tables (315 tables approx.)
   - General ledger accounts
   - Account determination
2. Select a four-character alpha-numeric key as the company code key.

Note: We can also define the company code and fill the customizing tables from scratch.

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Country Templates

1. Company code 0001 is a template for a general company code with chart of accounts INT.
2. The country version program copies the country-specific customizing tables from the specific country template into company code 0001.
3. Once completed, company code 0001 will be customized for the selected country.
4. Copy this company code into your new desired company code.

Note: The country version program not only creates a country-specific company code template but also a country-specific template for controlling areas, plants, purchasing organizations, sales organizations, credit control areas, financial management areas, etc.

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Country Templates (Contd.)

IMG suggested order for creating a company code.

1. Copy, delete, check company code.
2. Edit company code data.

Do not use company code 0001 as your productive company code because the country version program always uses this company code as the target company code.

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Editing a Company Code

Defining a company code:

- Four digit company code key
- Address
- Currency
- Country
- City
- Language

Global parameters:

- Chart of accounts
- Fiscal year
- Company code defaults

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Variant Principle

- The variant principle is a 3-step method used in R/3 to assign special properties to one or more R/3 objects.

- In SAP variant principle is used for:
  - Field status
  - Posting periods
  - Fiscal years

Steps

1. Define the variant
2. Populate the variant with values
3. Assign the variant to R/3 objects

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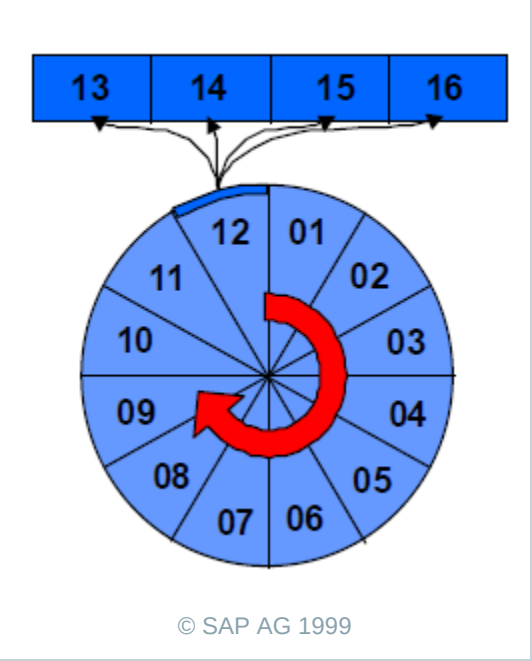
Fiscal Year

- The fiscal year is defined as a variant which is assigned to the company code.
- SAP allows a maximum of 16 posting periods each fiscal year – normally 12 regular posting periods and 4 special posting periods.



Note: Information regarding whether a period is open or closed is not included in the fiscal year variant; this is maintained in another table. The fiscal year variant only defines the amount of periods and their start and finish dates.

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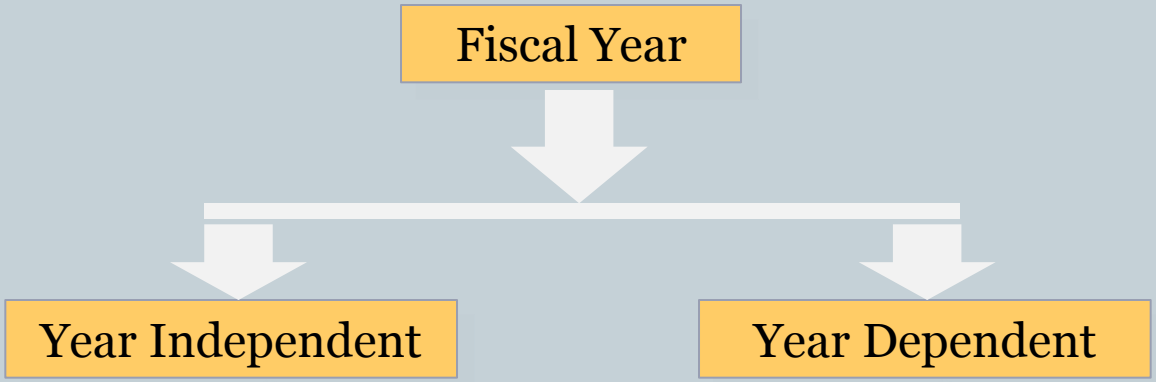
Year-Independent and Year-Dependent Variant



The same number and dates for the periods every year

Periods can differ from year to year

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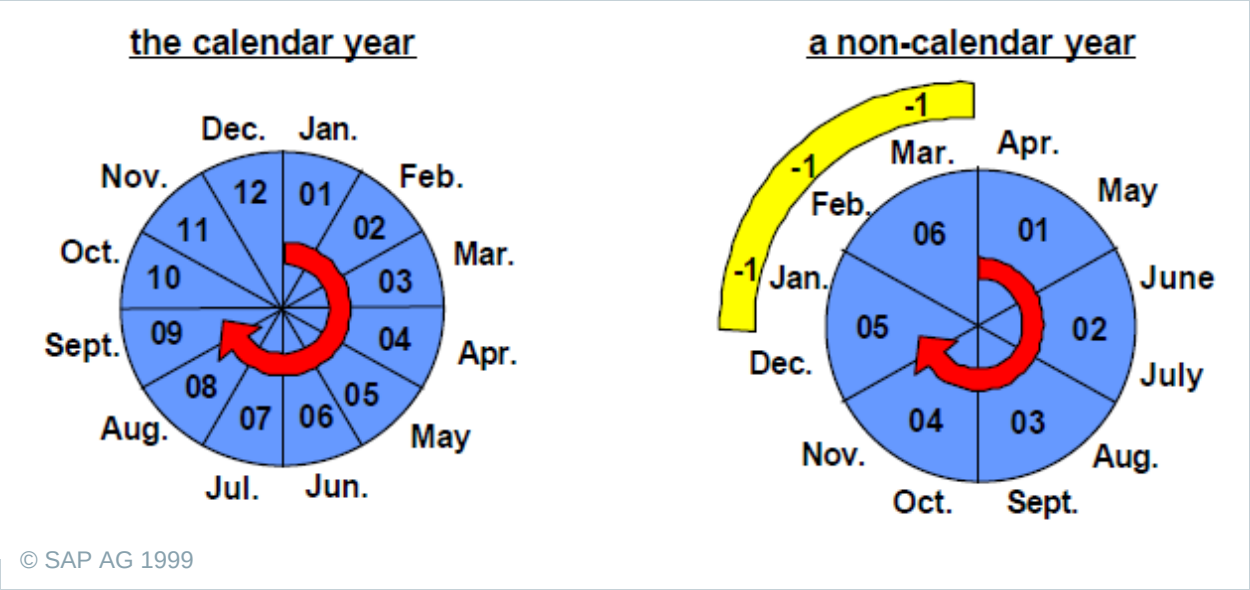
Year-Independent Variant

A year-independent fiscal year variant can be defined as:

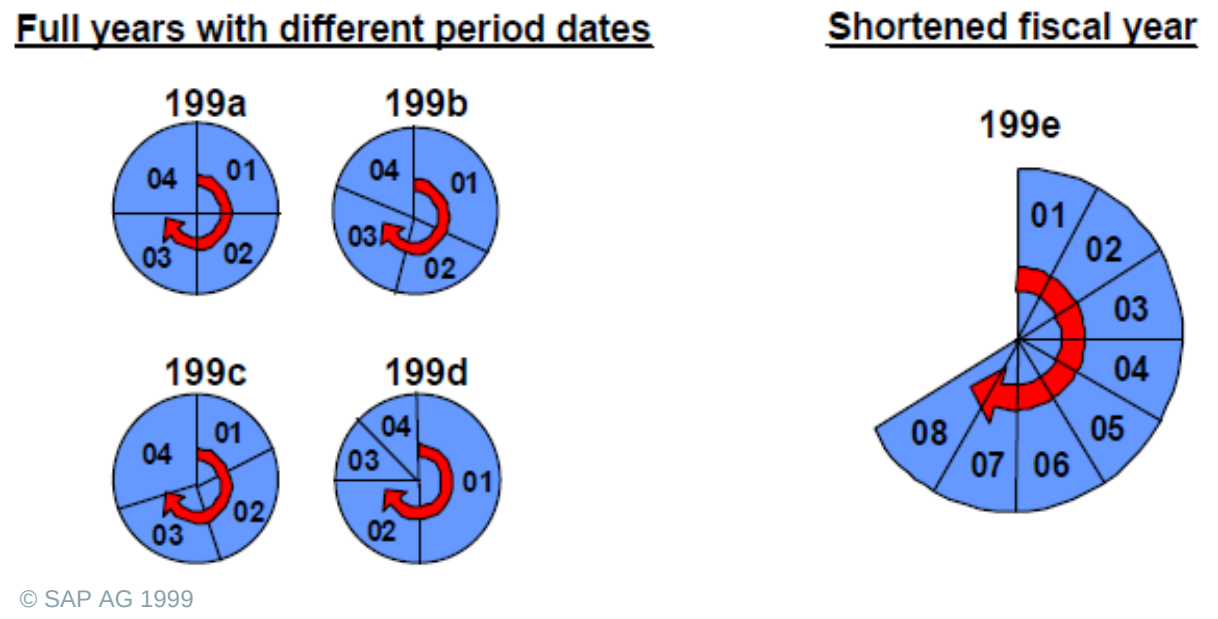


The posting periods are equal to the months of the year.

The posting periods need to be defined by assigning ending dates to each period.

Year-Dependent Variant

A year-dependent indicator has to be set if fiscal year is changing from year to year.



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Financial Accounting – Overview

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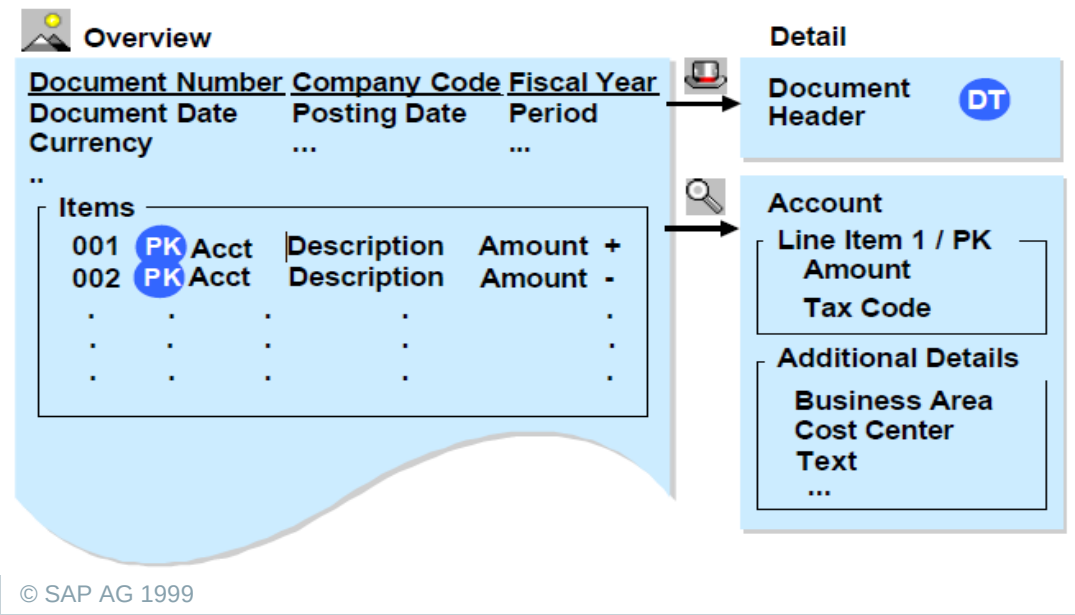
Document Principle



Document in mySAP ERP financials

A document is **identified** by the combination of:

- Document number
- Company code
- Fiscal year

The **R/3 FI document** consists of:

- Document header
- 2 to 999 line items

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Documents in R/3

- Every business transaction is recorded as a document.
- Each document receives a unique document number.
- Document numbers can be assigned by:
  - The R/3 system (= internal assignment)
  - The user at document entry time (= external assignment)
- R/3 links related documents together in the system, to provide a comprehensive picture of any business transaction within the system.

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Control Keys

Two of the most important control keys are:

- The **document type** for the header
- The **posting key** for the line items

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Document Type

- Controls the document header
- Defined at the client level
- Standard system is delivered with document types
- Controls the field status of the header fields “Text” and “Reference Number” and if invoices are posted with the net method

Always store original documents under the number of the data processing document.

STEPS

1. Enter the external number of the original document into the reference number field in the header of the data processing document
2. Record the data processing document number in the original document

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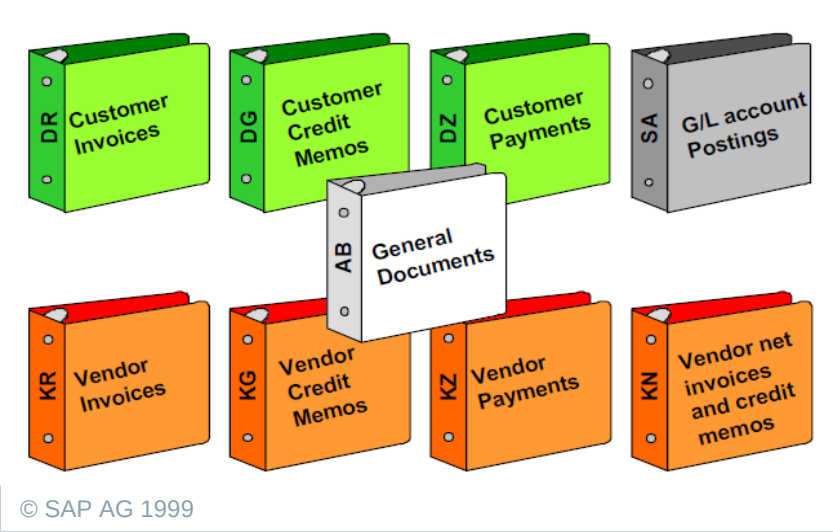
Standard Document Types



Important standard document types

- Only document type AB allows postings to all account types.
- All other document types limit the types of accounts you can post to.

Document types used to transfer billing documents from the R/3 billing system are:

- RV
- RE

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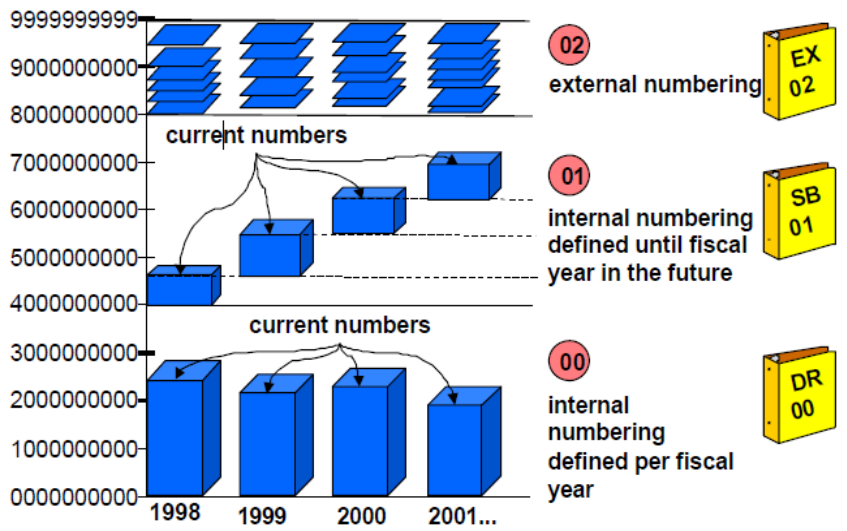
Document Number Ranges



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- The document number range defines the allowable range in which a document number must be positioned and cannot overlap.
  - Internal numbering
  - External numbering

Document number ranges

Document number ranges can be defined in either two ways:

- Until a fiscal year in the future
- Per fiscal year

Posting Key

- Defined at the client level
- The posting key indicates:
  - Whether the line item deals with a payment transaction or not
  - Whether the sales figures of the account should be updated by the transaction

In the standard transactions, posting keys are labeled “debit” and “credit.” In Customizing, R/3 delivers the following default values:

	Debit	Credit
GL Transactions	40	50
Customer Invoices	01	50
Vendor Invoices	31	40

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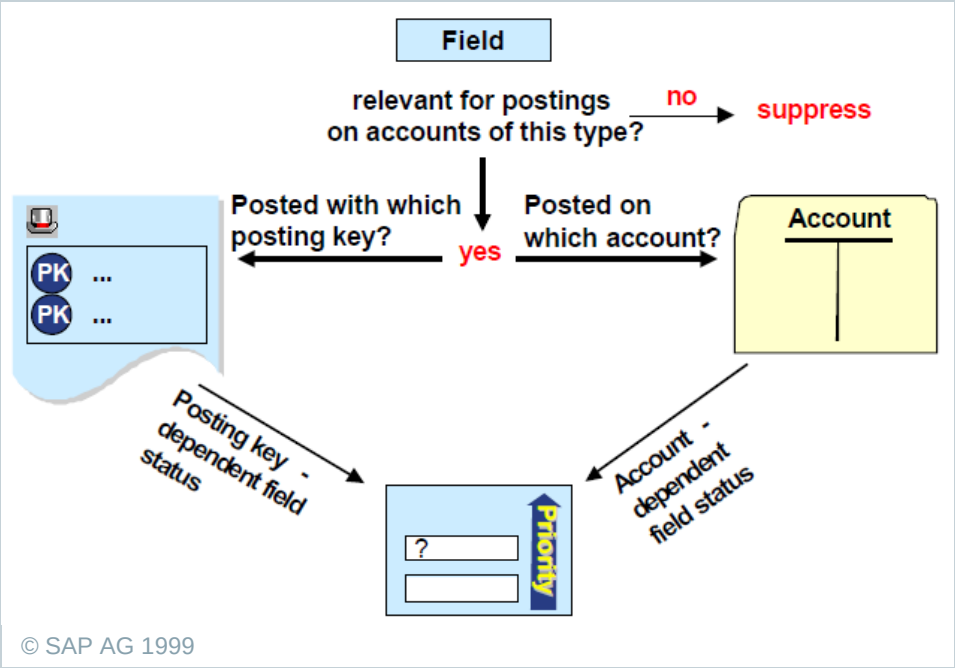
Field Status



Document field status

Note: The field status definitions "suppress" and "required entry" cannot be combined. This combination causes an error.

- Displays during document processing are controlled by field status.
- The account-dependent field status on general ledger accounts can be customized.
- The field status with the higher priority applies.

Exceptions:

- Business areas
- Tax fields

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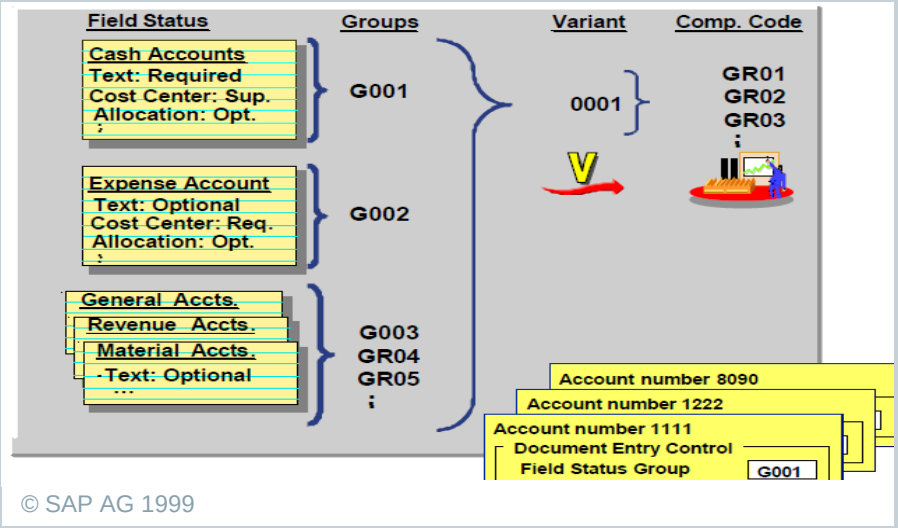
Field Status Groups



Field status groups

- Determine the **status of every document entry field** under each category of general ledger account.
- These "rules" are grouped into **field status groups** for each category of general ledger accounts.
- The field status groups are collected under one **field status variant**.
- The R/3 structure has a standard set of field status groups.

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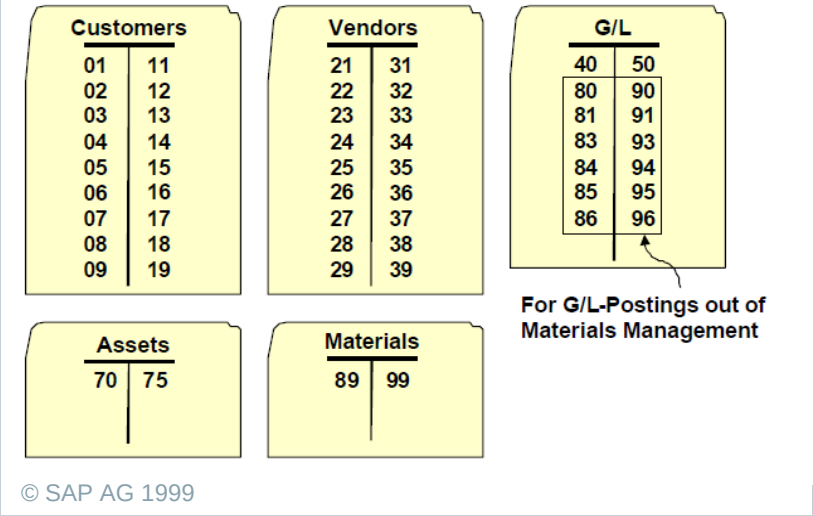
Standard Posting Keys



Standard posting keys

- Use the standard posting keys.
- Posting keys for assets and materials may only be used if the corresponding SAP components are implemented.

	Field status groups	Differentiation
Sub ledger accounts	X	Different posting keys
General ledger postings	✓	Different field status groups

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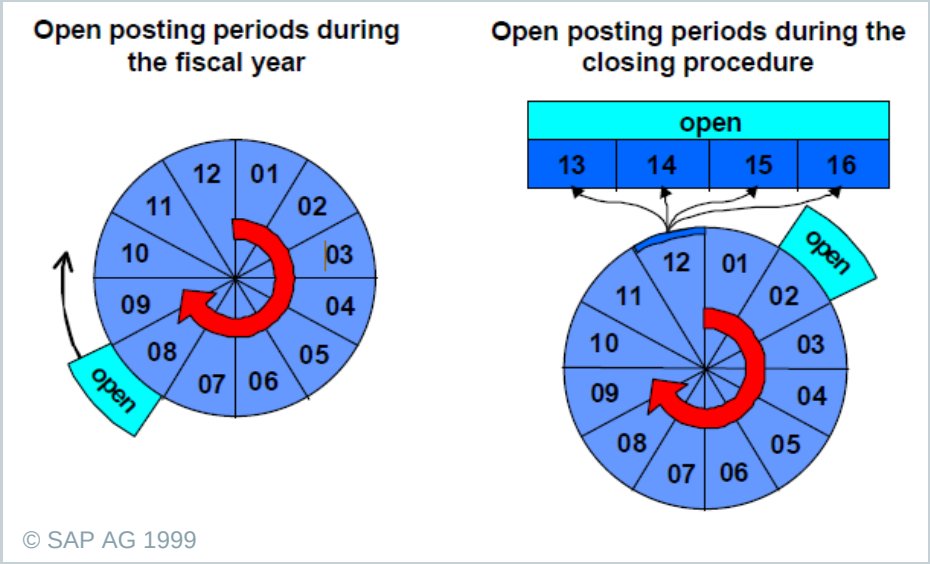
Posting Periods

- Posting periods are defined in the fiscal year variant.
- The current posting period is **open** and all other periods are **closed**.
- During financial closing, some **special periods** may also be open for closing postings.
- During the time of the closing procedure, two period ranges have to be open at the same time.



Posting Periods and Document Header

- Same posting period variant can be used for several company codes. This makes period maintenance easier.
- At the document header level, R/3 checks the periods that are allocated to the account type "+."
- The account type "+" must be open for all periods which are supposed to be open for any other account type.
- The account type "+" is the minimum entry in the posting period variant.

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Posting Periods and Line Items

- At the line item level, R/3 checks the account type of the posting key to verify that the period is open for the assigned account type.
- The account range always contains G/L accounts.
- These sub ledger accounts can be treated differently than accounts which have a different reconciliation account.

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Authorization Groups

- During the time of the closing procedure **two period ranges** have to be open at the same time.
- An **authorization group** may be assigned to the first range. Users belonging to this authorization group have the permission to post into the first period range.
- Using the authorization object F_BKPF_BUK (accounting document: authorization for posting periods), the user can determine which company codes documents can be processed.

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Tolerance Groups

- Processing of payment differences are controlled through tolerance groups.
- Tolerance groups ensure that employees do not exceed their defined authority in financial transactions.

- **Upper limits for posting procedures**:
  - Total amount per document
  - Amount per open item account item
  - The cash discount percentage a user with this tolerance group is able to grant.

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Assigning Posting Authorizations

- Create as many tolerance groups as required.
- Assign a user explicitly to a tolerance group.
- In case a user is not assigned to any specific tolerance group, then entries in the default tolerance group "_____" are valid for them. [The blank space within the quotes symbolizes the default tolerance group.]
- For any employees who have especially high or low limits, a special tolerance group should be created and assigned to their user logon IDs.

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Features of General Ledger

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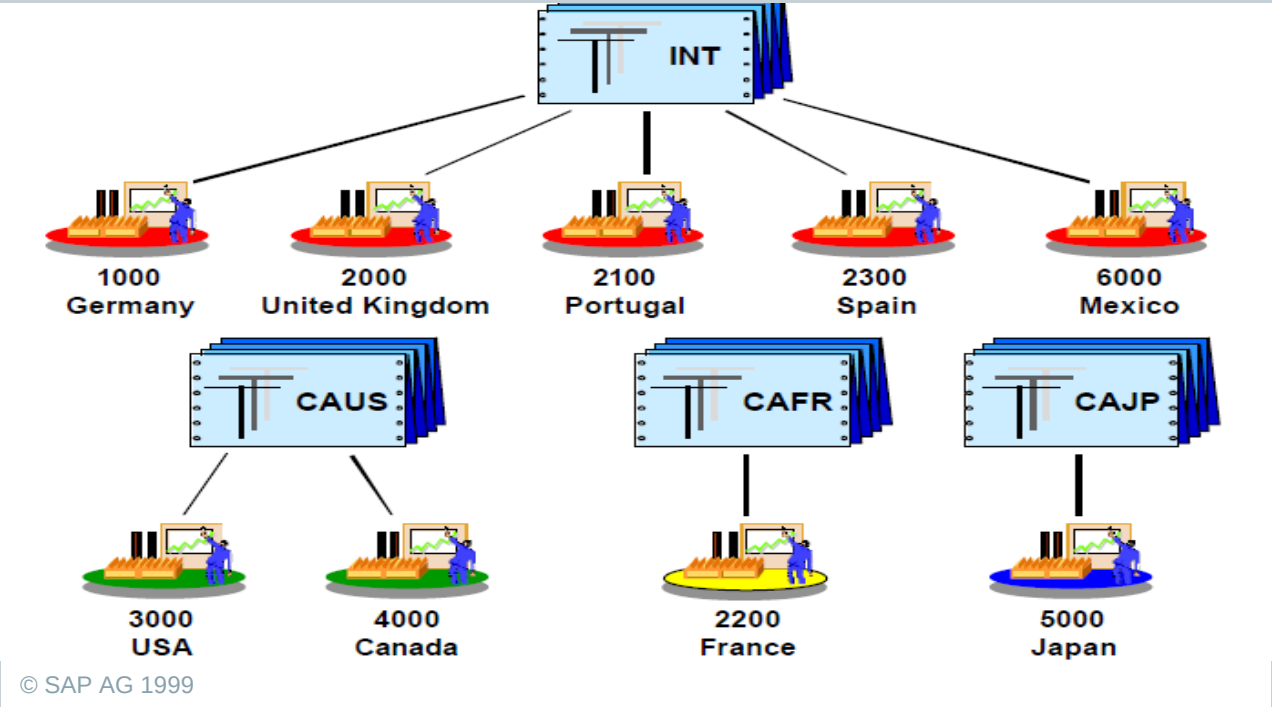
Chart of Accounts

- The list of all the general ledger accounts that can be used by one or more company codes.
- The basis for reporting and posting activities.



IDES – Charts of accounts

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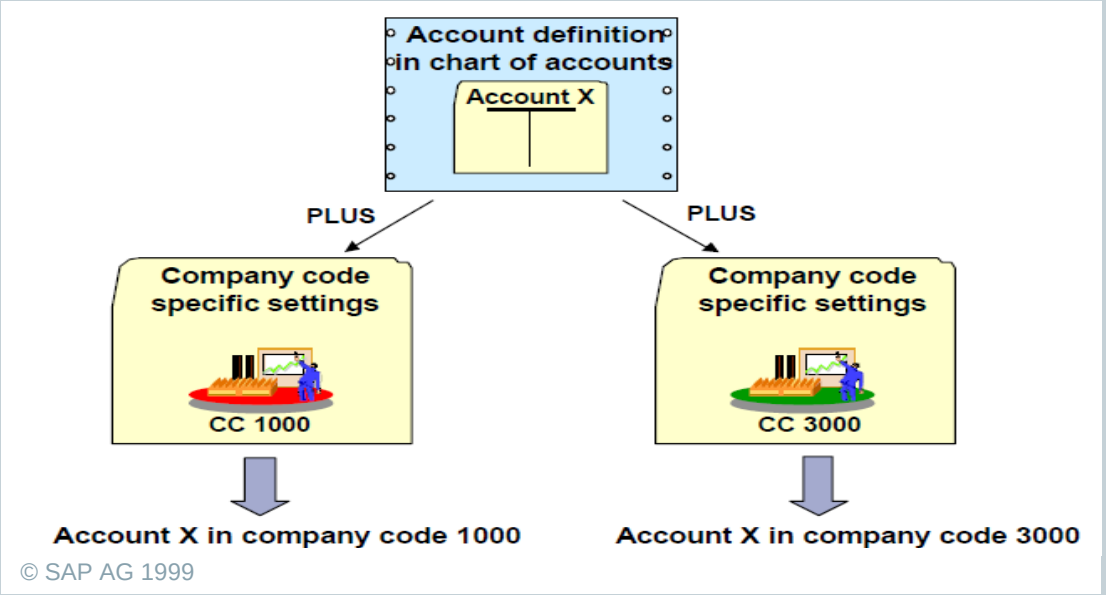
Company Code Specific Settings

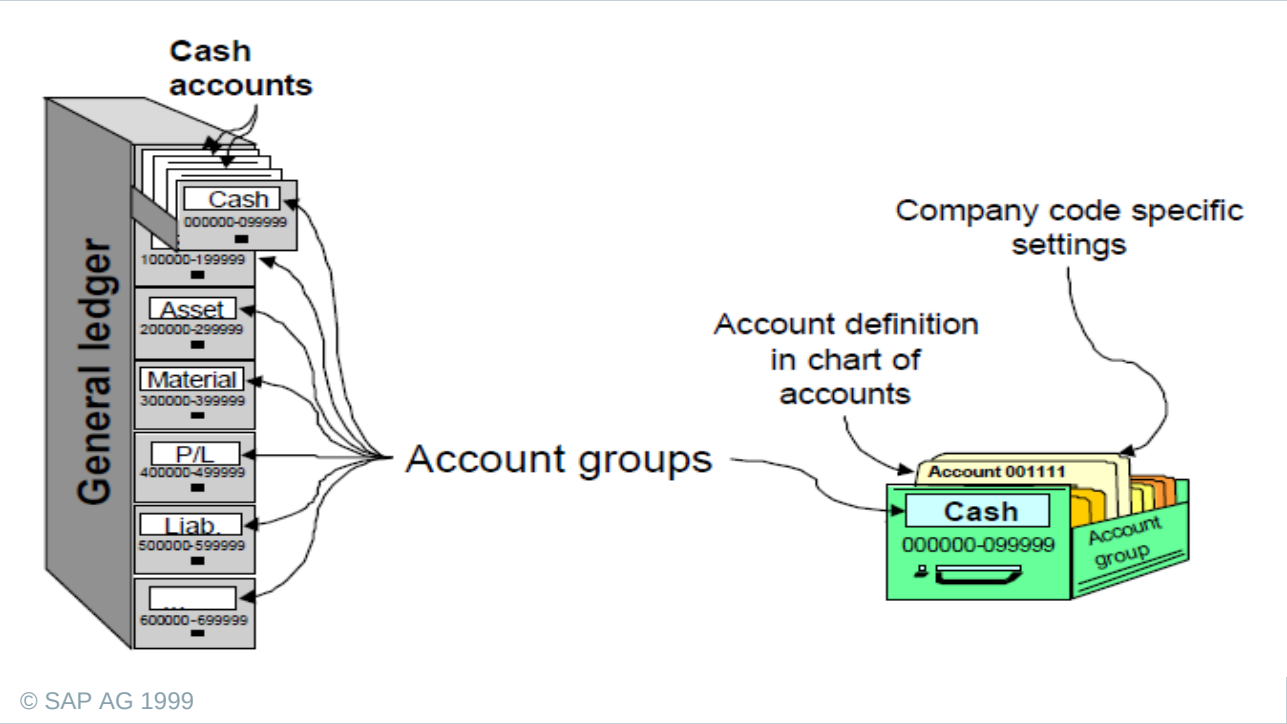
- Maintain the account definition at the chart of accounts level.
- Create company code-specific settings which are only valid in the company code.
- Most of the accounts in company code 1000 use the UNI currency, whereas company code 3000 uses USD for most of its accounts.



Company code specific settings

Account Groups

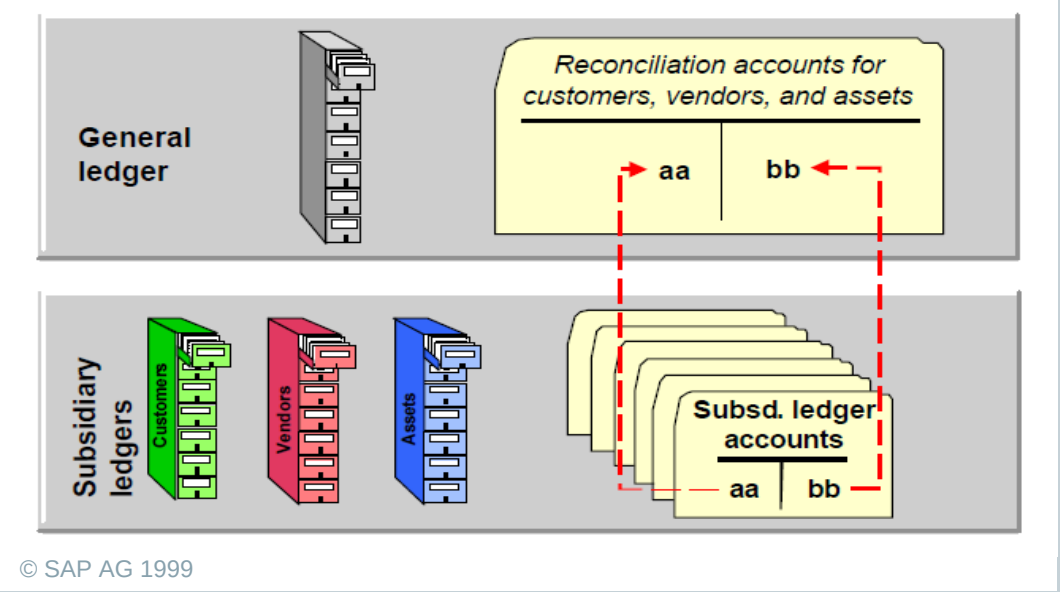
- G/L accounts are organized into **account groups**.
- The accounts of an account group normally have similar business functions.



Account groups for G/L accounts

Reconciliation Accounts

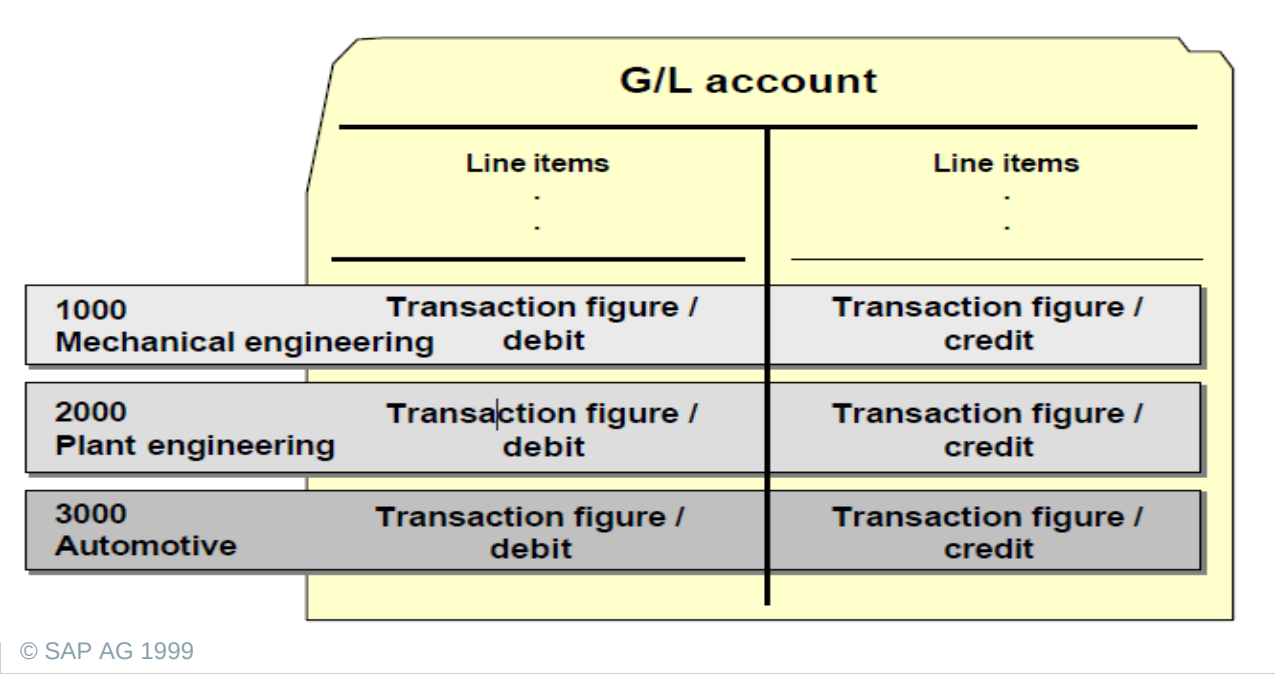
- Reconciliation accounts are G/L accounts that receive postings from subsidiary in real-time.
- The subsidiary ledgers connected to the general ledger via reconciliation accounts are:
  - Accounts payable (A/P)
  - Accounts receivables (A/R)
  - Asset ledgers



Reconciliation accounts

Transaction Figures

- A transaction figure is the total of all debit or credit postings.
- Financial statements for the company code are calculated using these transaction figures.



Transaction figures

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Overview of Sub Ledgers

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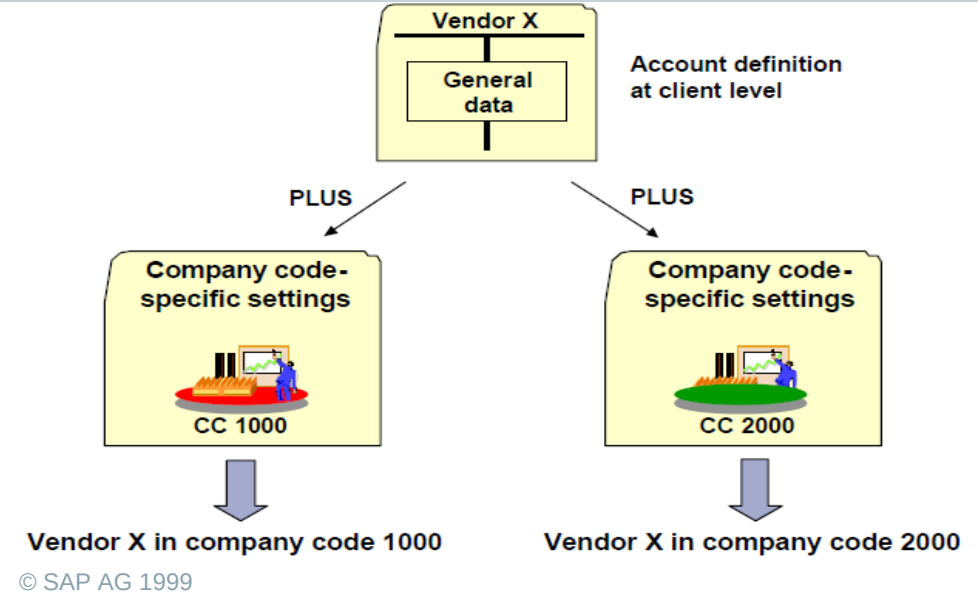
Accounts Payable



Vendor accounts in SAP FI

- Accounting data for all vendors are recorded and managed in the **Accounts Payable** application component.
- Postings are simultaneously recorded in the general ledger.
- As with G/L accounts, vendor accounts are made up of two areas: a vendor account and account groups for vendors.
- Vendor account is defined for all company codes at the client level.

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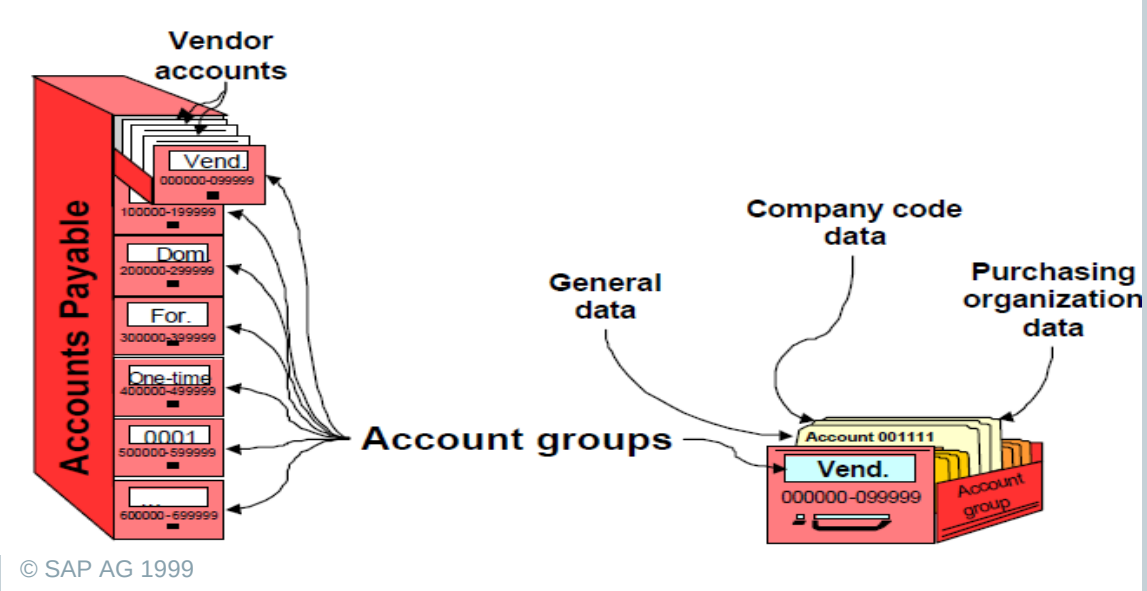
Account Groups for Vendors

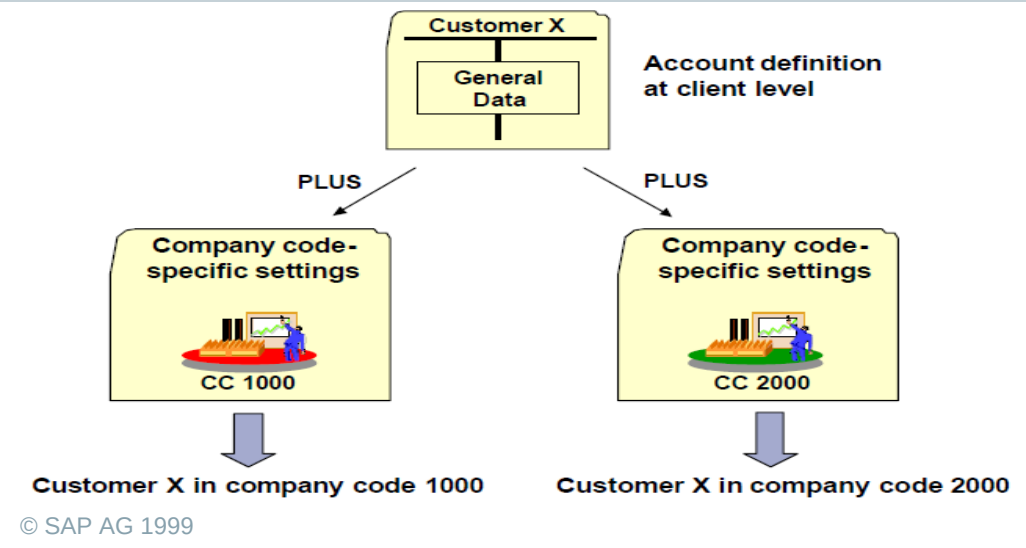
- Vendor accounts can be combined in various **account groups**.
- The accounts in an account group usually have similar characteristics.

- **Example of account groups:**
  - Domestic vendors
  - Vendors abroad
  - Affiliated vendors
  - One-time accounts



Accounts groups for vendors

Accounts Receivable



Customer accounts in SAP FI

- Accounting data for all customers are recorded and managed in the **Accounts Receivable** application component.
- Postings are simultaneously recorded in the general ledger.
- As with G/L accounts, customer accounts are made up of two areas: a customer account and account groups for customers.
- Customer account is defined for all company codes at the client level.

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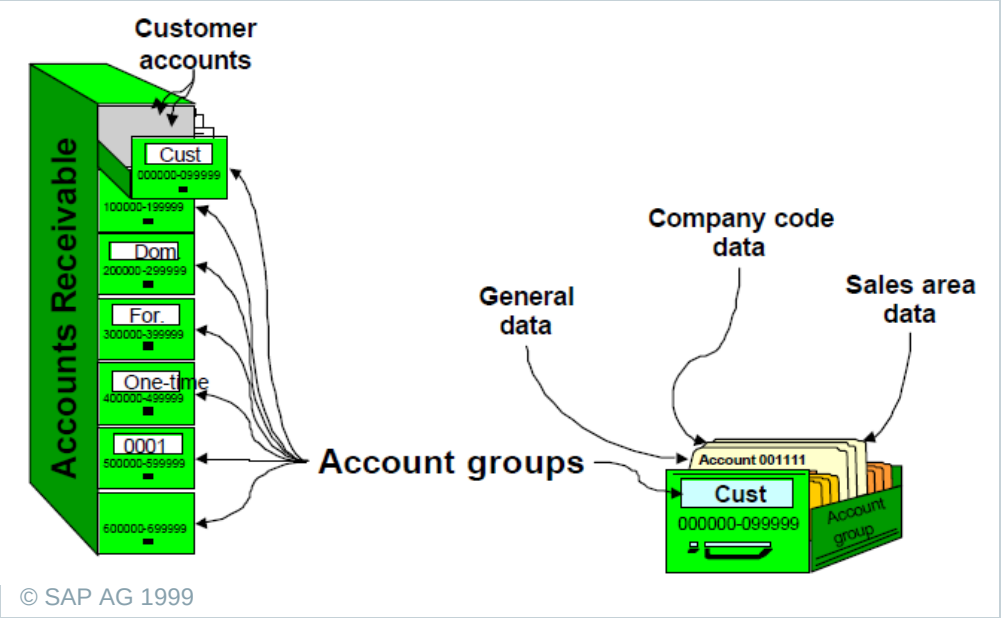
Account Groups for Customers

- Customer accounts can be combined in various **account groups**.
- The accounts in an account group usually have similar characteristics.

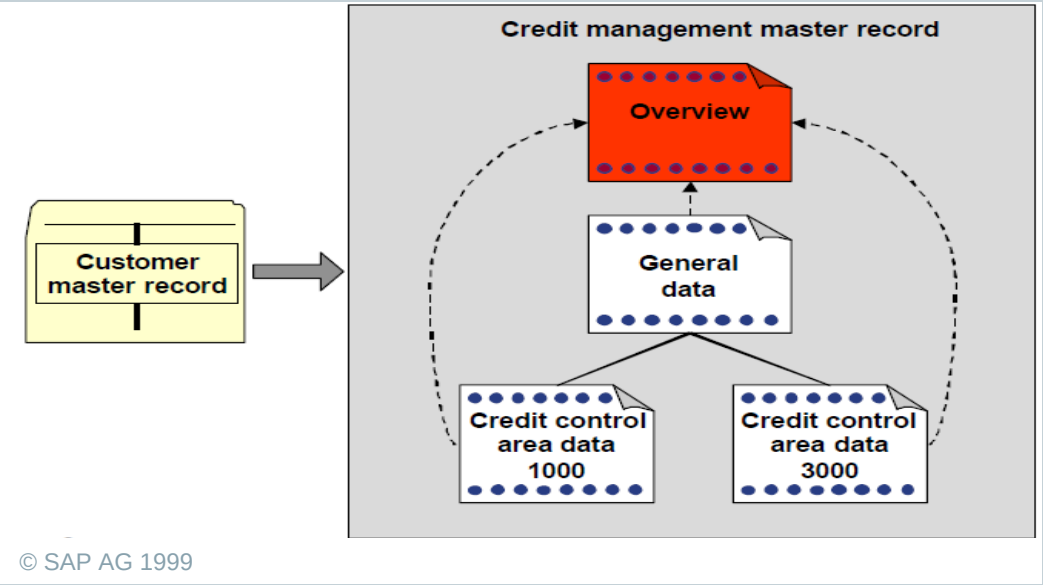
- **Example of account groups:**
  - Domestic customers
  - Customers abroad
  - Affiliated customers
  - One-time accounts



Accounts groups for customers

Credit Management Master Record

- The credit department sets up a separate credit management master record.
- The credit management master record consists of three sections:
  - **General data**: Relevant for all credit control areas.
  - **Credit control:** Relevant for a specific credit control area.
  - **Overview:** Contains the most important data from all sections.



Credit management master record

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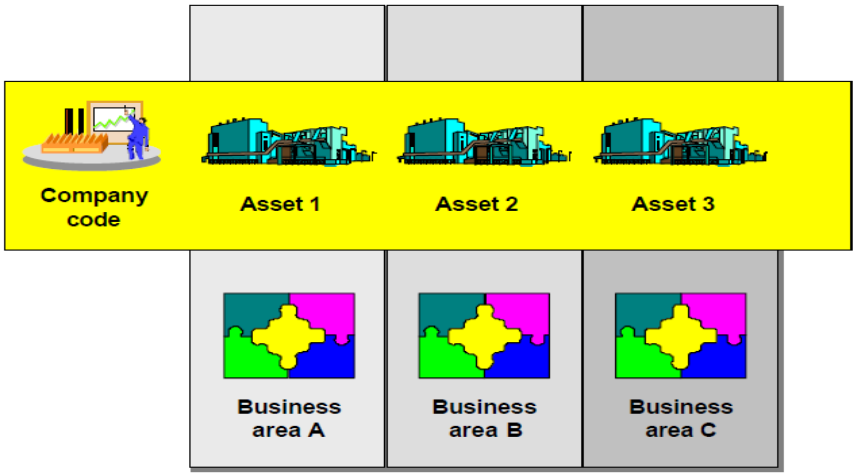
Assets Master Data



Assets in FI organization units

- All accounting data related to assets are maintained in asset sub-ledger account.
- Each asset belongs to a **company code** and **business area**.
- All postings made for the asset are applied in the assigned company code and business area.
- You can assign the asset to various CO objects.

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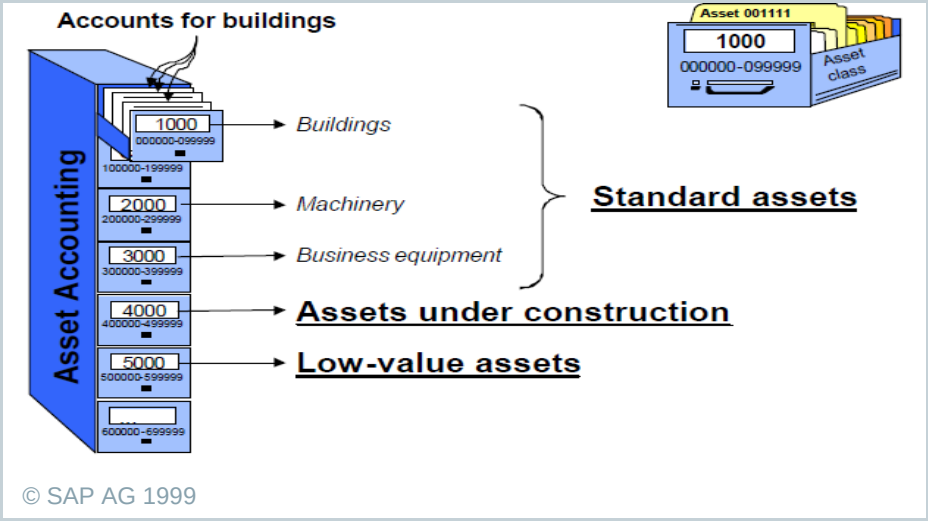
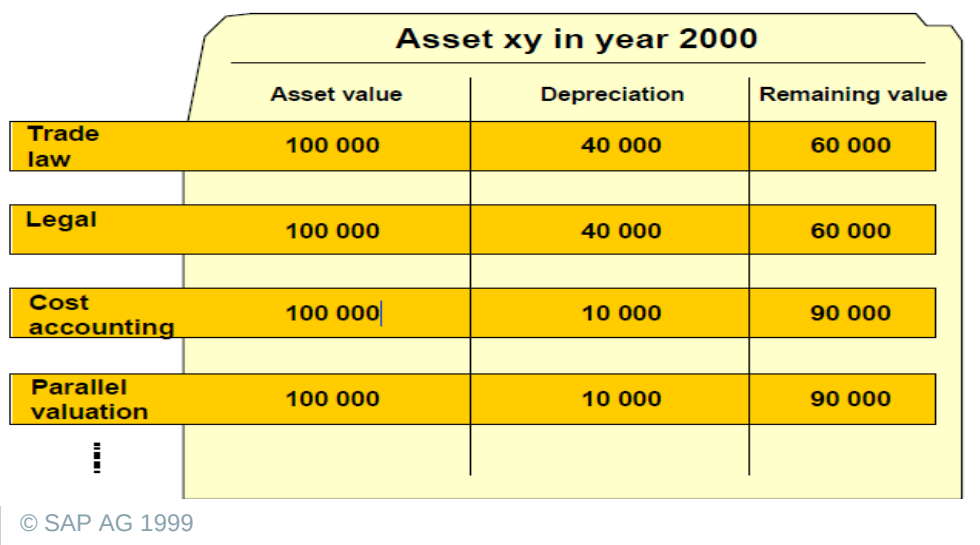
Asset Class

- Main criterion for classifying assets in FI.
- Used to assign the assets to the correct general ledger accounts.
- Define certain control parameters and default values for depreciation and other master data.
- Assets such as buildings and equipment have to be assigned to different asset classes.
- Special asset class for assets can be created:
  - Under construction (IDES 4000)
  - Low-value assets (IDES 5000)
- You can create asset classes for intangible assets and leased assets.
- The application component PM is used for the technical management of assets and TR is used for managing financial assets.



Asset class

Depreciation Areas



Asset xy in year 2000

	Asset value	Depreciation	Remaining value
Trade law	100 000	40 000	60 000
Legal	100 000	40 000	60 000
Cost accounting	100 000	10 000	90 000
Parallel valuation	100 000	10 000	90 000

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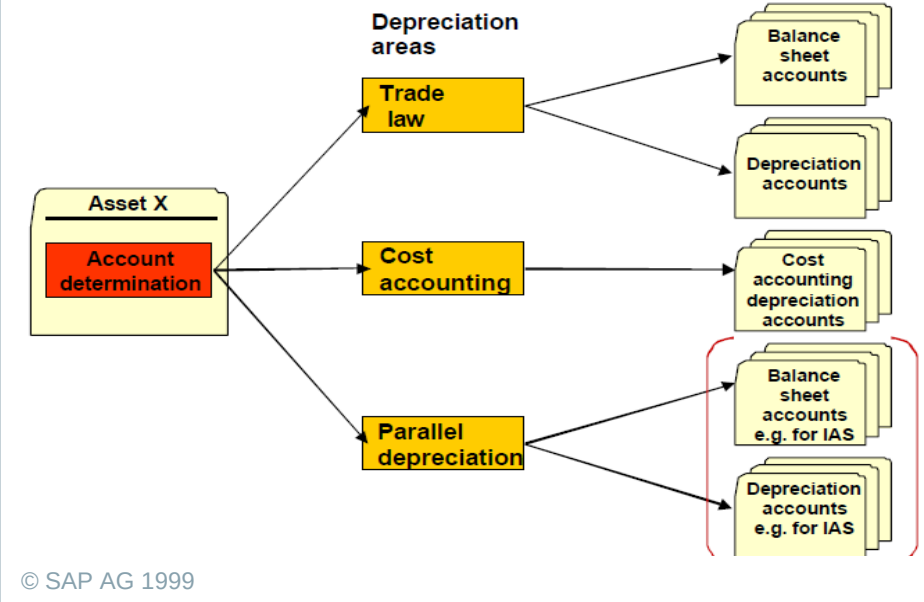
Depreciation areas

- A depreciation area shows the valuation of assets for a particular purpose.
- Depreciation areas are kept in the R/3 System in order to keep more than one valuation basis.
- The depreciation areas in asset accounting do not exist in the general ledger.

Account Determination



Account determination

- The G/L accounts into which the values are posted are used in various financial statement versions:
  - Financial statements per GAAP;
  - Financial statements for tax authorities;
  - Group financial statements; and so on.
- The assignment of the G/L accounts to various valuation areas is saved in a single **account assignment key**.
- Their values are all posted to the same reconciliation accounts.

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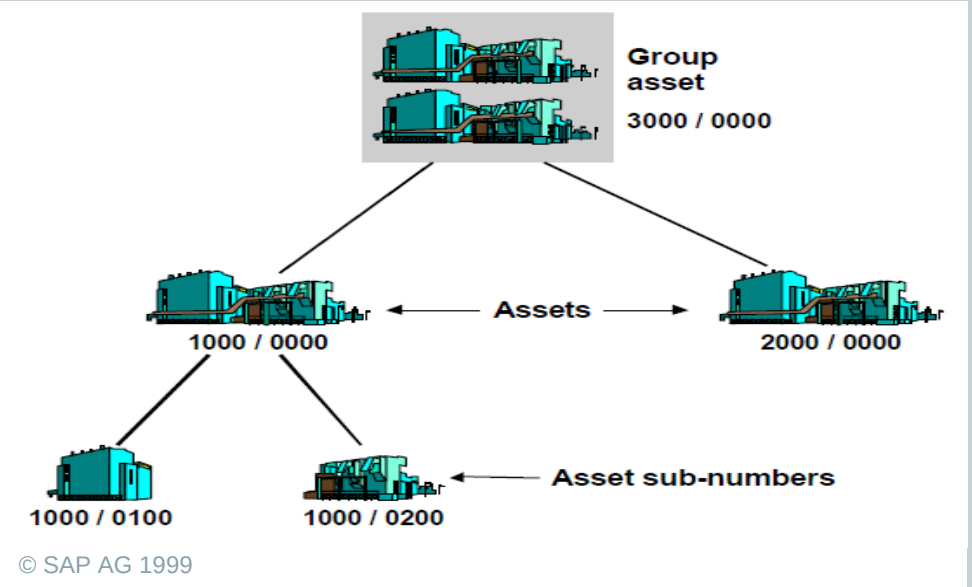
Group Assets and Sub-Numbers

- Parts of an asset can be kept under **asset sub-numbers**.
- Assets can be combined in group assets.
- The main asset is assigned the sub-number 0000, allowing the asset sub-numbers to be assigned as desired.
- A group asset has its own master data.



Group assets and sub-numbers

SAP FI: Fundamentals of SAP Financial Accounting

Integration with Other SAP Modules

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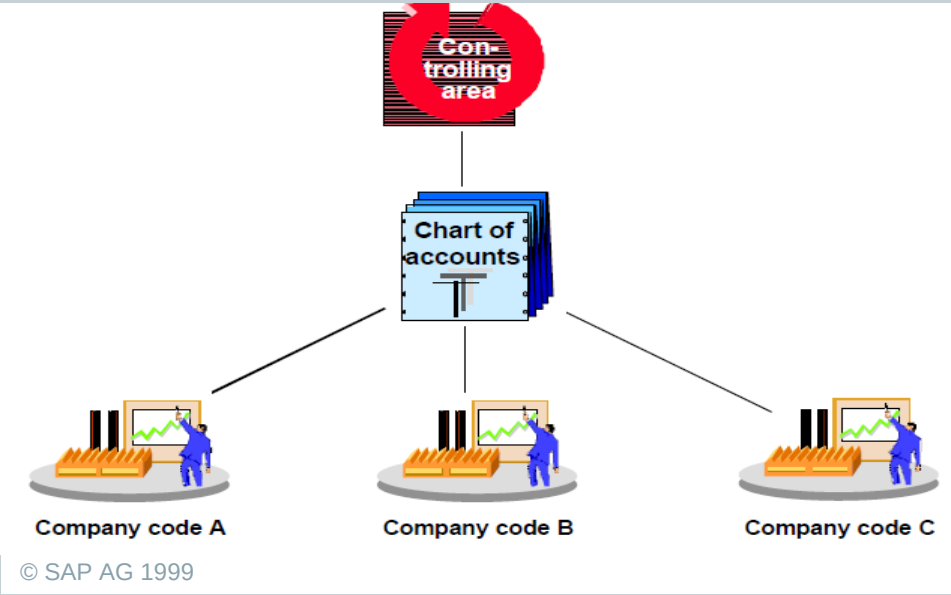
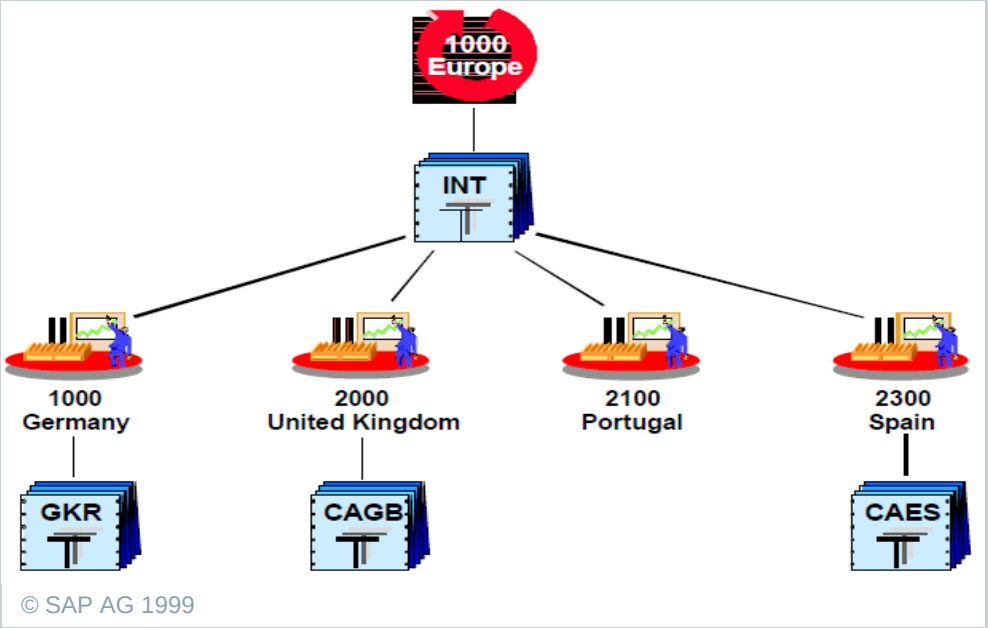
Controlling Area

- A self-contained organizational structure for which costs and revenues can be managed and allocated.
- Represents a separate unit of cost accounting.
- Can have one or more company codes assigned to it.



Controlling area

Country-Specific Charts of Accounts(COA)



Country-specific charts of accounts

- Company codes—Germany, the United Kingdom, Portugal, and Spain—belong to the same controlling area.
- They adopt the operating chart of accounts International (INT) of the controlling area.
- Country-specific COA was created for the company codes—Germany, the United Kingdom, and Spain.
- These country-specific COA are structured in accordance with the legal requirements of each of these countries.

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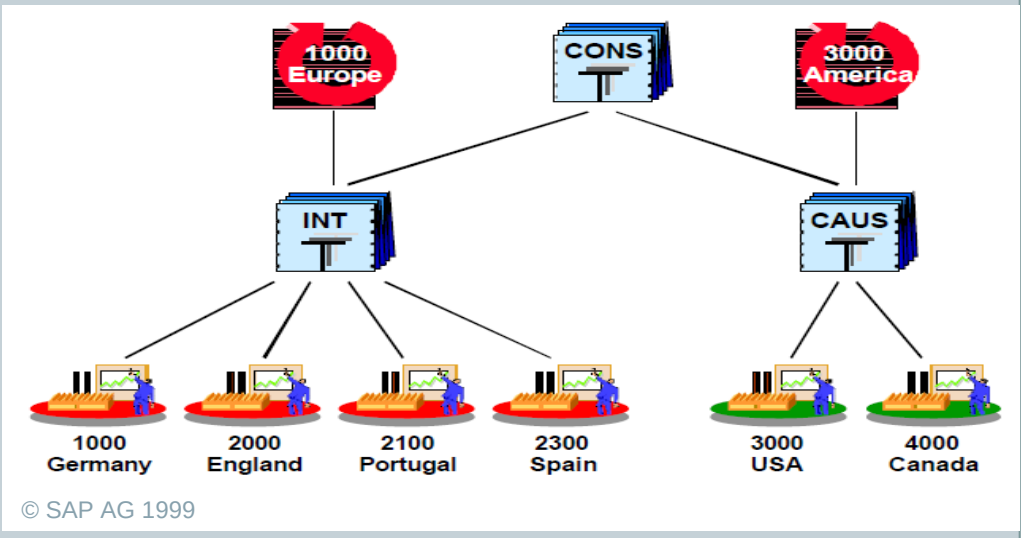
Group Chart of Accounts

- The two companies in North America were using the chart of accounts CAUS as the operating chart of accounts.
- Since cost accounting for Europe and the USA together was not necessary, the operating chart of accounts CAUS for the two U.S. company codes was retained and they were assigned to a separate controlling area.
- A **group chart of accounts** was set up for the two operating charts of accounts.

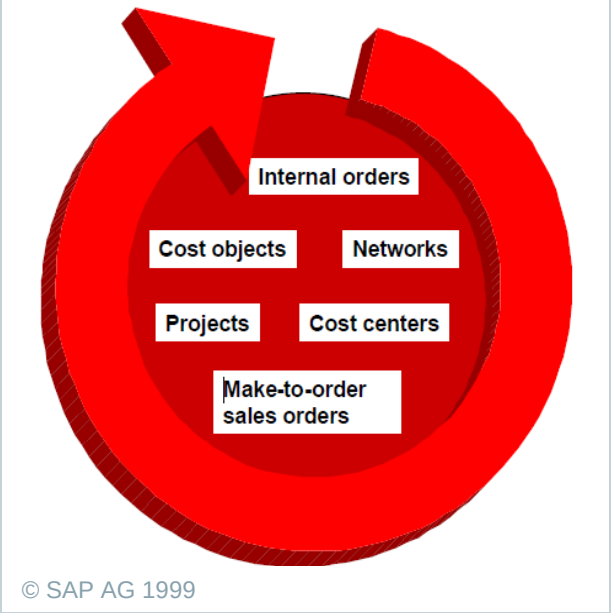


Group chart of accounts

Controlling Objects

- A controlling area contains controlling objects.
- These objects take on various functions within controlling, such as internal orders, cost objects, networks, projects, cost centers, and make-to-order sales orders.

True Controlling Objects	Statistical Controlling Objects
Can allocate their costs to other controlling objects	Cannot reallocate their costs and only bear their costs for information purposes.



Cost controlling objects

Integration with Materials Management (MM)

- MM uses the company code from FI, the plant from Logistics – General, and the purchasing organization and storage location from MM to define its enterprise structure.
- Purchasing organizations are required to enter data specific to purchasing in the vendor master record.
- Procurement transactions are posted in FI through the 3-stage verification procedure.

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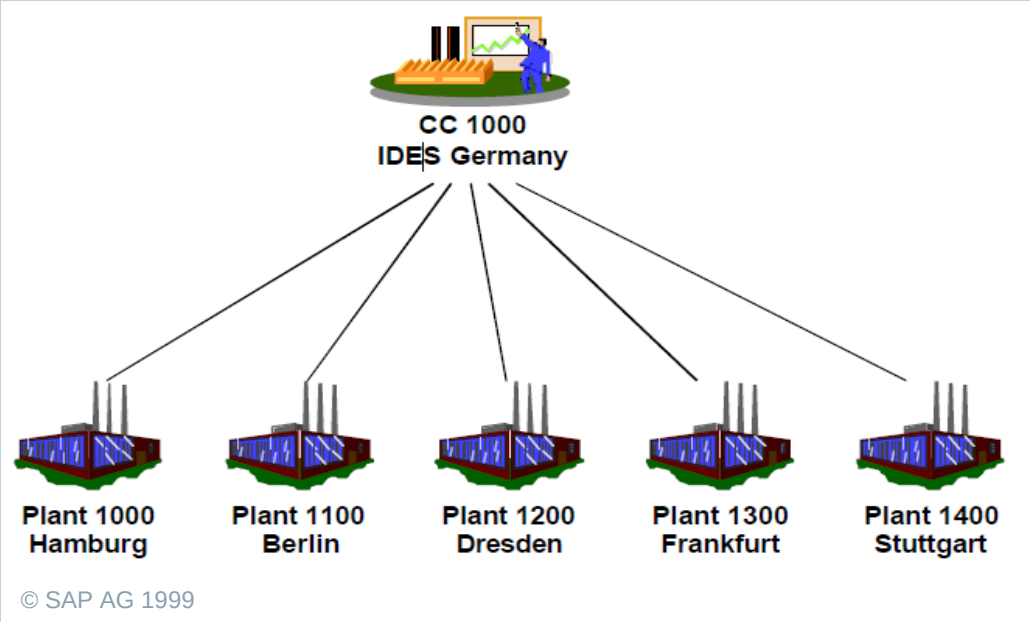
Plants

- Central organizational object in Logistics.
- Many plants can be assigned to the same company code.



IDES plant in Germany

Example:
IDES company code 1000 (Germany)

- Plants in this company code are 1000 (Hamburg), 1100 (Berlin), 1200 (Dresden), 1300 (Frankfurt), and 1400 (Stuttgart)
- All company-code relevant transactions from these plants are posted in company code 1000.

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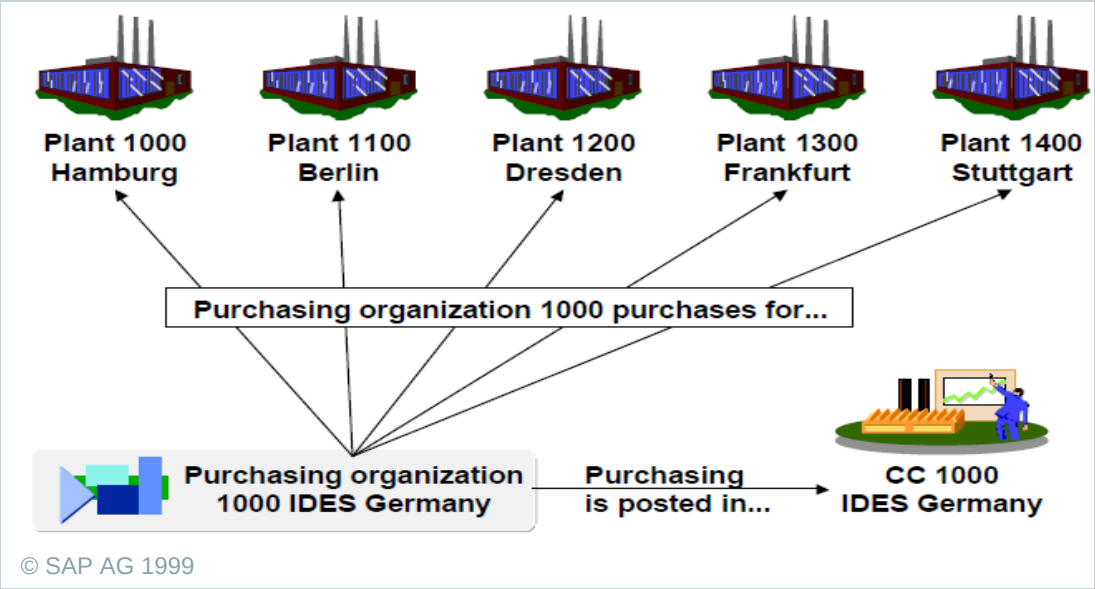
Purchasing Organizations

- The purchasing organization purchases for the plants.
- It's legally responsible for completing purchasing contracts.
- Each country has one purchasing organization.

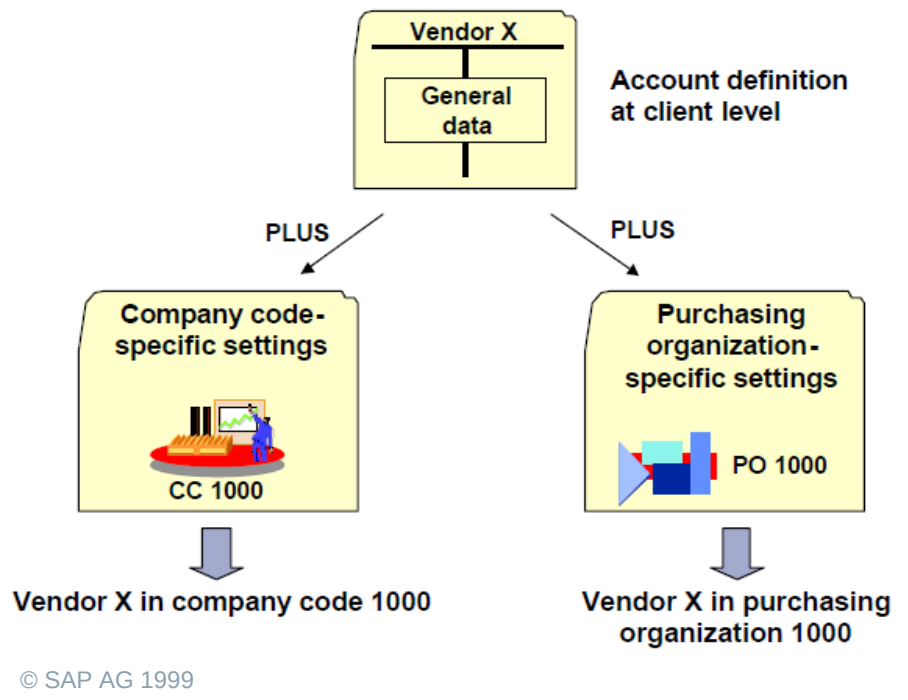


IDES purchasing in Germany

Example

The purchasing organization 1000 takes care of purchasing for all German plants (Hamburg, Berlin, Dresden, Frankfurt, and Stuttgart). Postings are made in German company code 1000.

Materials Management View of the Vendor Master Record



Purchasing data in the vendor master record

- The purchasing organizations purchase goods and services from suppliers, who are paid by accounts payable.
- The purchasing organizations of the group have to enter data specific to purchasing in the vendor master record before the supplier's master record can be used.

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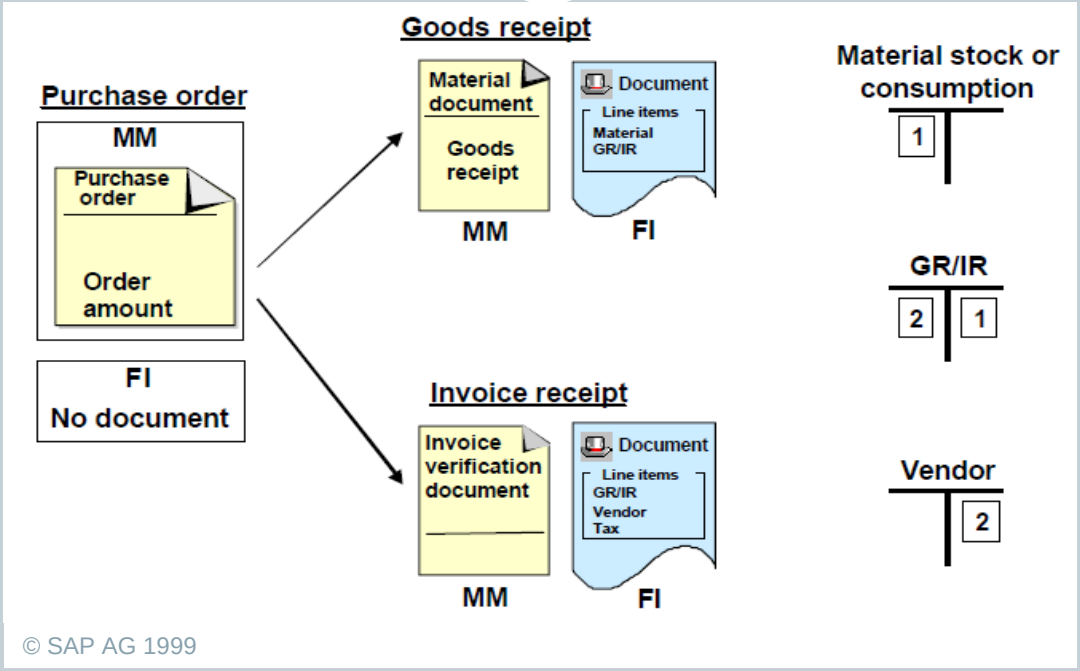
Posting Procurement Transactions in FI



Three-step verification (standard)

Three-step verification procedure:
Step 1: Creation of a **purchase order**
Step 2: Creation of the **goods receipt**
Step 3: Creation of the **invoice receipt**

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Integration with Sales and Distribution (SD)

Components of Sales and Distribution module:

- Sales organizations
- Distribution channels
- Divisions

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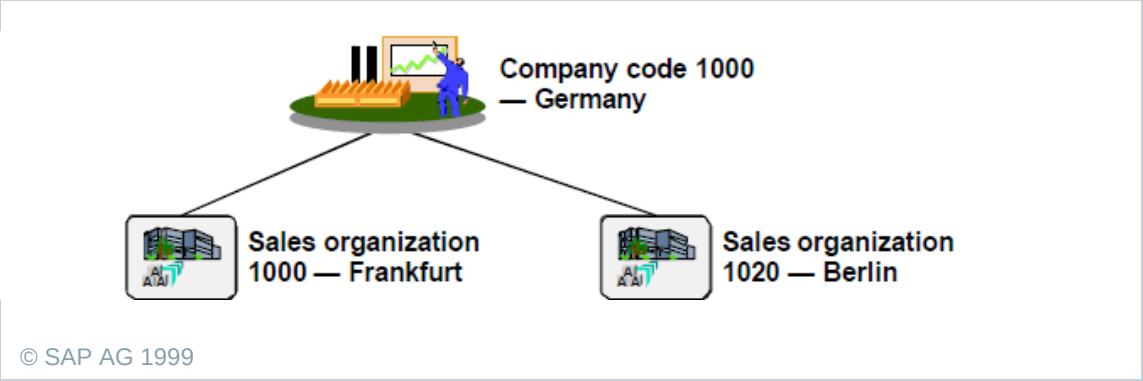
Sales Organizations

- The **sales organizations** are legally responsible for sales in R/3.
- One company code may contain several sales organizations.



IDES sales organizations in Germany

Example

IDES company code 1000 (Germany) includes the sales organizations 1000 (Frankfurt) and 1020 (Berlin).

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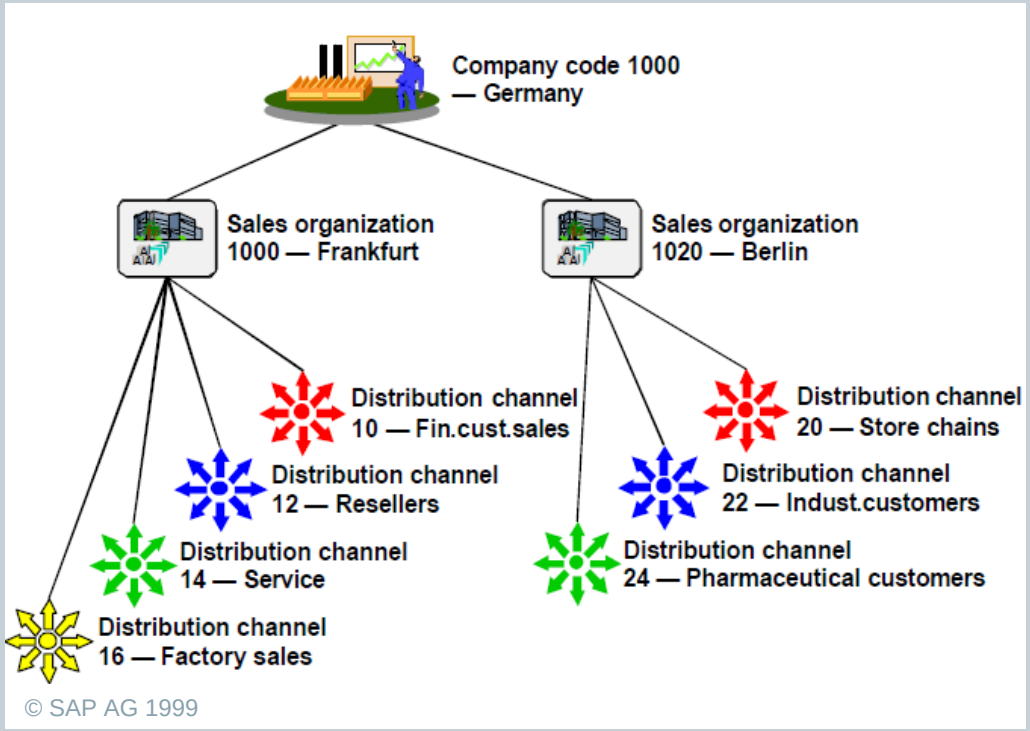
Distribution Channels

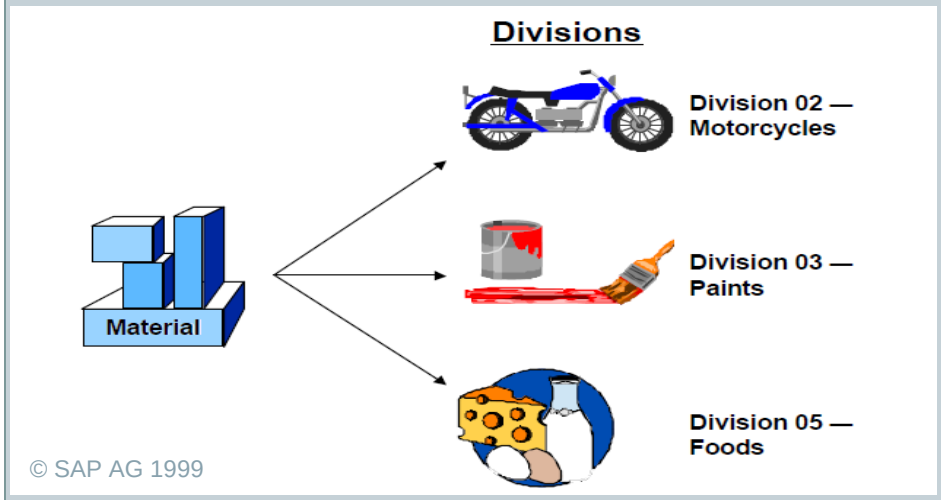
- A sales organization may sell materials through different **distribution channels**.
- IDES distribution channels:
  - Final customer sales
  - Resellers
  - Service
  - Factory sales
  - Store chains
  - Industrial customers
  - Pharmaceutical customers
- The combination of a sales organization and a distribution channel is known as a **distribution chain**.



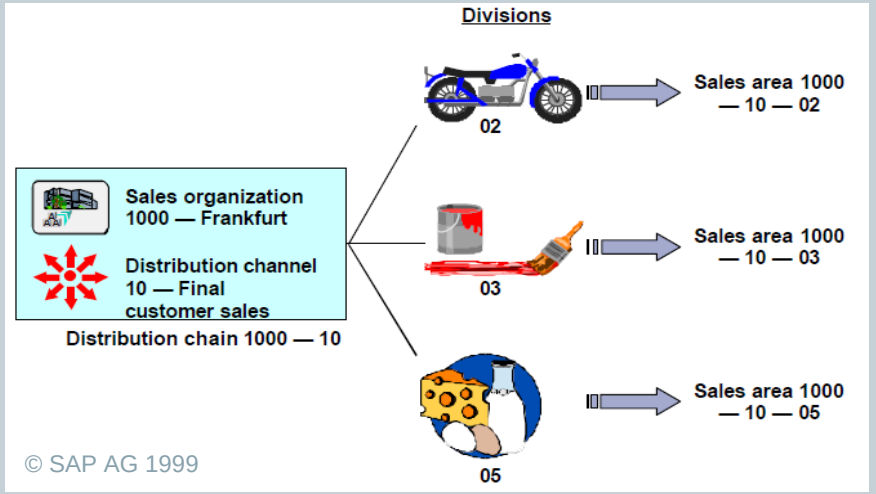
IDES distribution chains in Germany

Divisions

- Materials are divided into **divisions** in the R/3 System.
- The divisions are assigned to the distribution chain from which they can be sold.
- The combination of distribution chain and division is a **sales area**.



Divisions



Sales areas

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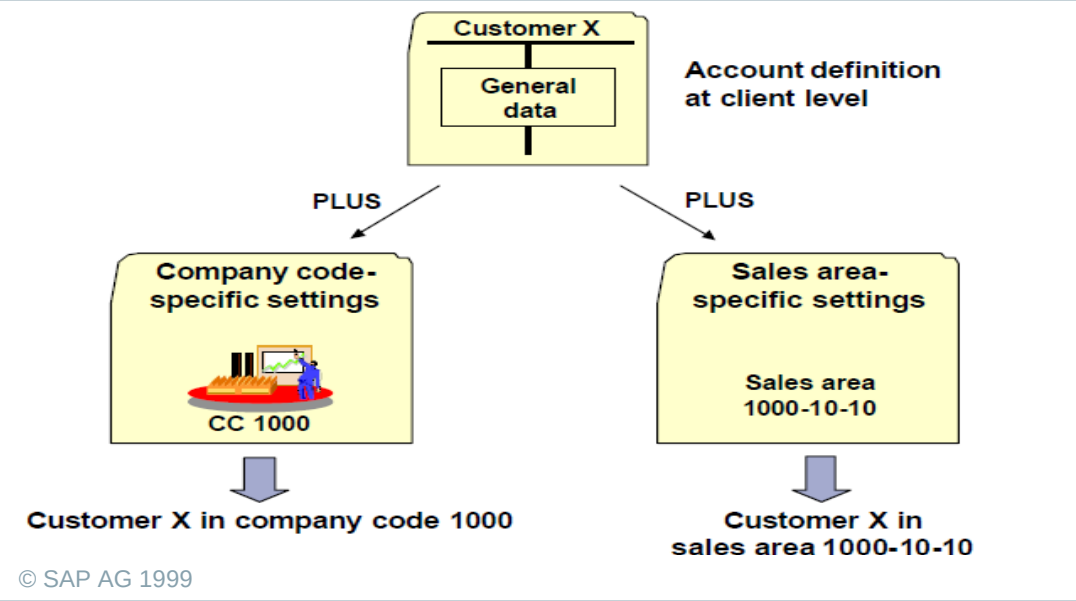
Sales Area Data in the Customer Master Record

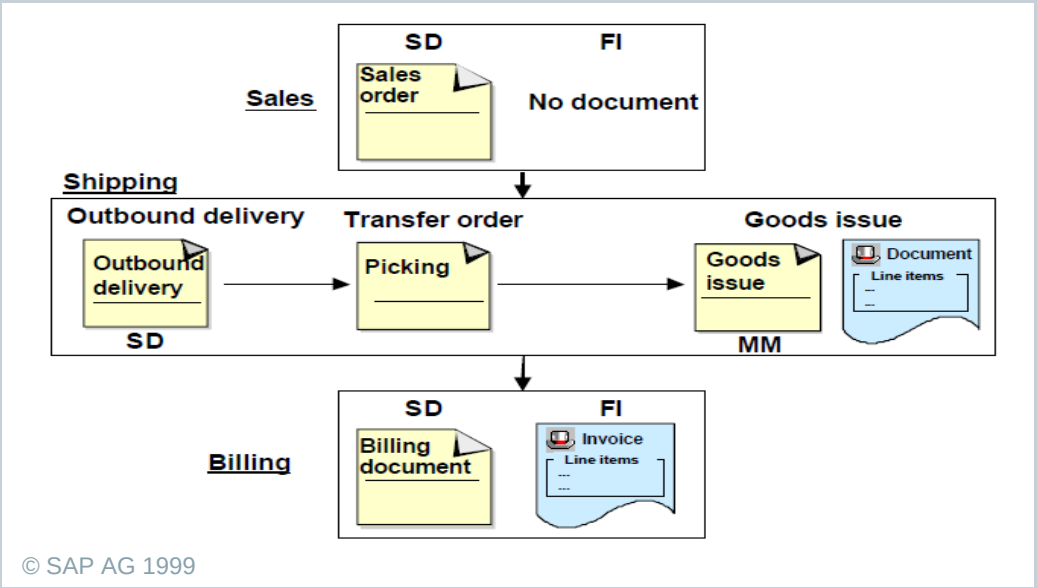
- A sales area is a combination of sales organization, distribution channel, and divisions.
- It must define sales area-specific settings for a customer before it can start doing business with that customer.



Sales area data in the customer master record

Sales Process and FI

- The **sales order** is a document in SD and does not cause any postings in FI.
- The goods to be delivered are posted as a **goods issue**. A goods issue document is created in MM, and an accounting document is created in FI so that the goods issue is posted to the correct G/L accounts.
- A **billing document** is created in SD, and a printed invoice is sent to the customer. At the same time, a document is created in FI so that the receivables and revenues can be posted to the correct accounts.



Sales process

Summary

Here is a quick recap of what was covered:

- General financial accounting terms
- Organizational elements of R/3 and its basic settings
- Basics of SAP financial accounting
- Fields of document header and line items
- How to open and close posting periods
- Assign posting authorizations to users
- Important general ledger features
- Characteristics of sub ledgers
- Organizational structures of cost accounting
- How FI integrates with other SAP modules

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Q and A

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Knowledge Check 1

1. **State if the following statement is True or False.**

   You can assign a business area to a company code directly.

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Knowledge Check 1

1. **State if the following statement is True or False.**

   You can assign a business area to a company code directly.

   Answer: False

   Explanation: Business areas are not directly assigned to company codes. This makes it possible to evaluate transaction figures for each business area beyond the boundaries of the company code too.

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Knowledge Check 2

2. **For what purposes are year-specific fiscal year variants usually used?**
   a. If the start and end date of the posting periods differ from year to year.
   b. If one fiscal year has fewer posting periods than the others (shortened fiscal year).
   c. If the start and end date of the posting periods remain same from year to year.
   d. If the fiscal year differs from the calendar year, but the posting periods correspond to calendar months.

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Knowledge Check 2

2. **For what purposes are year-specific fiscal year variants usually used?**

Answer:
a. If the start and end date of the posting periods differ from year to year.

b. If one fiscal year has fewer posting periods than the others (shortened fiscal year).

Explanation: Year-specific fiscal year variants are usually used on the following two instances, if the start and end date of the posting periods differ from year to year or if one fiscal year has fewer posting periods than the others, i.e., in case of shortened fiscal year.

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Knowledge Check 3

3. **State if the following statement is True or False.**

Every company code may define its own document type.

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Knowledge Check 3

3. **State if the following statement is True or False.**

Every company code may define its own document type.

Answer: False

Explanation: The same document types are valid for all company codes since they are defined at the client level.

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Knowledge Check 4

4. **State if the following statement is True or False.**

Every company code may define its own document number ranges.

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Knowledge Check 4

4. **State if the following statement is True or False.**

Every company code may define its own document number ranges.

Answer: True

Explanation: The document number uniquely identifies each document in a company code within a fiscal year. Therefore, document number ranges are defined dependent on the company code.

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Knowledge Check 5

5. **State if the following statement is True or False.**

In general, the R/3 System keeps one transaction figure for debits and one transaction figure for credits per account.

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Knowledge Check 5

5. **State if the following statement is True or False.**

In general, the R/3 System keeps one transaction figure for debits and one transaction figure for credits per account.

Answers: True

Explanation: In general, the R/3 System keeps one transaction figure for debits and one transaction figure for credits per account. A transaction figure is the total of all debit or credit postings. The financial statements for the company code are calculated using these transaction figures.

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Knowledge Check 6

6. **State if the following statement is True or False.**

Reconciliation accounts receive postings from subsidiary ledger in real-time.

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Knowledge Check 6

6. **State if the following statement is True or False.**

Reconciliation accounts receive postings from subsidiary ledger in real-time.

Answers: True

Explanation: Reconciliation accounts are general ledger accounts that receive postings from subsidiary ledger in real time. This means that a posting to a subsidiary ledger also posts to the corresponding reconciliation account in the general ledger at the same time.

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Knowledge Check 7

7. **Choose the correct option.**

Accounting data for whom are recorded and managed in the accounts payable application component?

a. Vendors
b. Customers

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Knowledge Check 7

7. **Choose the correct option.**

Accounting data for whom are recorded and managed in the accounts payable application component?

Answers: Vendors

Explanation: Accounting data for all vendors are recorded and managed in the "Accounts Payable" application component. Accounts payable is an integral part of the purchasing system. Deliveries and invoices are managed according to vendors.

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Knowledge Check 8

8. **Choose the correct option.**

Accounting data for whom are recorded and managed in the accounts receivable application component?

a. Vendors
b. Customers

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Knowledge Check 8

8. **Choose the correct option.**

Accounting data for whom are recorded and managed in the accounts receivable application component?

Answers: Customers

Explanation: Accounting data for all customers are recorded and managed in the "Accounts Receivable" application component. All postings made in accounts receivable are also simultaneously recorded in the general ledger.

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Knowledge Check 9

9. **State if the following statement is True or False.**

During the last stage in the sales process a billing document is created in Sales and Distribution, and a printed invoice is sent to the customer.

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Knowledge Check 9

9. **State if the following statement is True or False.**

During the last stage in the sales process a billing document is created in Sales and Distribution, and a printed invoice is sent to the customer.

Answers: True

Explanation: During the last stage in the sales process a billing document is created in Sales and Distribution, and a printed invoice is sent to the customer. At the same time, a document is created in Financial Accounting so that the receivables and revenues can be posted to the correct accounts.

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Knowledge Check 10

10. **State if the following statement is True or False.**

A controlling area can have one or more company codes assigned to it.

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Knowledge Check 10

10. **State if the following statement is True or False.**

A controlling area can have one or more company codes assigned to it.

Answers: True

Explanation: A controlling area can have one or more company codes assigned to it. If the assigned company codes and the controlling area all use the same operating chart of accounts, one can carry out cross-company code cost accounting between the assigned company codes.

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THANK YOU

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